



Productivity Commission Draft Report

**TELECOMMUNICATIONS  
UNIVERSAL SERVICE OBLIGATION**

Victorian Farmers Federation Submission

January 2017

## The Victorian Farmers Federation

The Victorian Farmers Federation (VFF), Australia's largest state farmer organisation and only recognised consistent voice on issues affecting rural Victoria, welcomes the opportunity to comment on the telecommunications USO.

Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our State's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

The VFF consists of a nine person Board of Directors, with seven elected members and two appointed directors, a member representative General Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based staff.

Each VFF member is represented locally by one of the 230 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views on hundreds of industry and government forums.

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## Foreword

The Victorian Farmers Federation welcomes the opportunity to comment on the Productivity Commission draft report on the Telecommunications Universal Service Obligation.

The VFF provided a comprehensive submission to the Productivity Commission on the release of the issues paper in June 2016. This initial submission is included as an appendix to this submission, and should be read as the organisations substantive views on the telecommunications universal service obligation.

Further, the VFF welcomes the opportunity to provide evidence to the Commission at a public hearing in Melbourne in February.

## Introductory comments

For Victorian farmers, the availability of voice and internet services in the first place is important, but even more vital is the quality and consistency of service that customers receive. This is a particular issue when considering the provision of mobile telephone voice or data access in rural areas of our state.

Quality of coverage for mobile telephones is highly dependent on the service provider and the location of telephone towers. Rural and regional Victoria may boast a denser population than other States in Australia with better perceived telecommunications coverage, yet the state is still plagued with low accessibility to data and mobile telephone blackspots. The VFF note the separate review currently in progress by the Australian Competition and Consumer Commission into the merits of mobile telephone inter-carrier roaming and have contributed views into this process.

The VFF welcome the broad finding of the Productivity Commission, that a revision is required on the outdated Universal Service Obligation. Specifically, we strongly welcome the findings of the Productivity Commission that the USO should be extended to data as well as voice telecommunications. However, we are concerned about the focus and importance placed on the National Broadband Network (NBN) as the main method for delivering a baseline level of service for Australians. Any review of the universal service obligation needs to boost capacity for mobile phone telecommunications access opportunities across our rural and regional areas.

In Victoria, as in other jurisdictions, signing up to the NBN has been slow. While it is necessary to note that the VFF is not contacted by members who have had successful connections to the NBN- we are aware of a number of farmers whose principle place of residence resides just outside of the boundaries of new NBN technology coverage areas. In some circumstances, the property owner retail telecommunications provider and NBNCo can work with the owner to facilitate access to the new NBN system. For others, it is a continued wait until satellite or fixed infrastructure is boosted in the region.

The continued roll out of the NBN and extension of the NBN into regional areas will ultimately not assist in delivering the on-the-go connectivity and service which most farmers and families in rural and regional Victoria require. A 'fixed service' within the home- be that one which is provided by a fixed copper line or though NBN facilitated Voice Over Internet Protocol- are equally unsuitable to be the sole provider for the telecommunication applications required by many in rural and remote areas today.

In Victoria, it is the quality of reception and the download capacity of our mobile telecommunications services which is the largest cause of concern for our member. Farmers and their businesses, which are multi-million dollar enterprises are not well served with substandard connectivity and access to mobile telecommunications services. While there is a need for the family home and home office to be serviced with appropriate levels of voice and data, there is also a strong requirement for farmers to be able to access telephone services and mobile data out around the farm property.

## **Victorian Farmers Federation recommendations**

1. The Universal Service Obligation must be reviewed – to establish a technology independent standard for voice and data access for Australians.
2. Access to voice and data services via mobile telephone, should be a consideration and option within any future Universal Service Obligation.
3. The industry levy currently applicable to the Universal Service Obligation should remain in perpetuity – subject to review of practicalities.

# Response to Productivity Commission draft findings and recommendations

The VFF has elected to comment specifically on some of the draft findings and draft recommendations outlined in the report, where we support or have a difference of opinion to the draft recommendations proposed by the Productivity Commission. Comments on findings and recommendations follow:

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## DRAFT FINDING 2.1

Technological progress is transforming the way in which people access and use telecommunications services. Individuals, businesses, governments and the community at large are benefiting from these developments. Prices of telecommunications services are falling, while service quality is improving across both fixed and mobile platforms. Moreover, these services are converging, allowing users to readily choose between fixed and mobile access, and generating additional competitive pressure on service providers.

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The VFF agree that the prices for telecommunication services are falling, but there is still a large discrepancy between the fundamental pricing structures/plan availability for telecommunications in different areas. The price and levels of data availability under the telecommunications packages offered to consumers varies. In many rural areas, there is only one service provider- so in effect a monopoly market has been created. The VFF is not only interested in fixed internet services for farmers, but also mobile phone voice and data packages.

At an aggregate level it may be reasonable to state that service quality is increasing in rural and regional areas as more telecommunications towers are constructed and the footprint of the NBN is expanding. However, the reality for many of our farming families is greatly different. In particular mobile telephone blackspots prevent consistency in telecommunications access and availability. VFF members frequently report patchy or variable mobile telephone coverage, even in regions where there are mobile telephone towers.

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#### DRAFT FINDING 3.2

Evidence of the declining relevance of services covered by the telecommunications universal service obligation — the *standard telephone service* and payphones — is unequivocal. Over the past decade, Telstra's active retail fixed-line services have declined by about one quarter (from over 8 million to just under 6 million services), while the number of Telstra payphones has almost halved (from over 31 000 to a round 17 500). One third of Australian adults now rely solely on mobile phones for voice services.

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It is worthwhile noting that for the farming community, the office may be out in a paddock, a ute or a tractor. This is often for long periods at a time. Safety on farm is essential and having ongoing access to a mobile telephone is vital in this modern farming era for business connectivity, but more importantly for occupational health and safety.

Draft finding 3.2 notes that one third of Australian adults rely solely on mobile telephones for voice services. Survey work undertaken by the VFF into the experience of our farmer membership showed a similar trend in farmers' choices to access the internet. For many in rural and regional areas, the desire to use a mobile telephone for data access is just as great as a fixed connection service. However, service capacity for many prevents this from being a reality.

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#### DRAFT RECOMMENDATION 3.1

The Australian Government should phase out the existing telecommunications universal service obligation as soon as practicable.

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The VFF strongly support the need to change the existing telecommunications USO as soon as possible. However, we must note that our views on amendments to be made to the USO are not wholly in line with the recommendations made within the issues paper.

In the Telecommunications Universal Service Obligation draft report, a large focus has been placed on the future capacity of the NBN. The VFF believes that the USO should be based on a technology-independent voice and data service standard, rather than just a standard telephone service delivered through the copper network. This should include looking at alternative methods to build up the USO, inclusive of the NBN but also strongly considering the role that mobile telecommunication access may also provide.

NBN would provide some capacity to bridging the divide in current service availability however it should not be considered to be the sole tool for basing changes to the USO on.

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#### DRAFT RECOMMENDATION 5.1

The Australian Government should reframe the objective for universal telecommunications services to provide a *baseline* broadband (including voice) service to all premises in Australia, having regard to its accessibility and affordability, once NBN infrastructure is fully rolled out.

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The VFF agree that there is a clear need for reform to the telecommunication USO to incorporate both a voice and data standard. We believe that the standard should be technology-independent and thus not solely limited to fixed services – such as the NBN would largely provide.

The current USO based on an annual investment of \$297m in landline and payphone networks fails to recognise that ultimately rural consumers are shifting to mobile voice calls and broadband connectivity.

The mobile is replacing the landline as the preferred means of voice communications. As the Productivity Commission's issues paper outlined, the demand for fixed-line services is declining, with monthly voice-calls on landlines declining from 90 billion minutes in 2005 to less than 20 billion minutes in 2015. Over the same period mobile voice-calls rose from less than 20 billion minutes to about 50 billion minutes.

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#### DRAFT RECOMMENDATION 9.3

The Australian Government should proceed with its intended review of the telecommunications consumer safeguards framework as a matter of priority. The review should include an assessment of:

- what, if any, future safeguards are necessary
  - what changes should be made to Telstra's carrier licence conditions
  - the future role of accessibility and affordability measures, including the Telephone Allowance, the National Relay Service and relevant elements of the National Disability Insurance Scheme
  - the consumer protection roles of various bodies including: the Australian Competition and Consumer Commission; the Australian Communications and Media Authority; and the Telecommunications Industry Ombudsman
  - the delineation of responsibilities for service quality (including fault repair) on the NBN.
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The VFF support this recommendation.

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#### DRAFT RECOMMENDATION 7.4

Before proceeding to the next round of funding under the Mobile Black Spot Programme, the Australian Government should implement the Australian National Audit Office's recommendations relating to that program. It should also: target the program only to areas where funding is highly likely to yield significant additional coverage; revise its infrastructure-sharing requirements to be consistent with the Australian Competition and Consumer Commission's findings in the ongoing Domestic Mobile Roaming Declaration Inquiry; and prioritise areas for funding based on community input — rather than nominations from Members of Parliament.

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The VFF support the focus of funding under the Mobile Black Spot Programme being driven by community input. However, we are concerned with the proposal to only target areas where funding is highly likely to yield significant additional coverage. 99% of the Australian population is deemed to be covered by mobile telephone access, but this does not mean that coverage and service levels are sufficient to provide a consistent level of service to all customers in the area. VFF members report patchy coverage even where mobile telephone towers are in close proximity and less responsive service when there is high demand on the network. A balanced approach to decision making for investment in blackspot areas needs to be in place.

The VFF are strongly supportive of the Domestic Inter-carrier Roaming review currently being undertaken by the ACCC. Pending results from this inquiry, it would seem reasonable for the blackspot program to be re-scoped in light of recommendations and outcomes from this review.

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#### DRAFT RECOMMENDATION 7.5

The Australian Government should establish a funding program for a form of community telecommunications service (such as payphones) that targets locations where premises do not currently have a satisfactory alternative voice service, such as a mobile service. This program should target particular needs and be flexible for delivery to such communities. This program should involve a competitive tendering process to allocate funding.

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With much of the population moving away from services such as payphone, it would be the preference of the VFF that government funds were directed into improved mobile telecommunication services rather than payphones. However, we appreciate that in some very remote areas the spread of mobile telephone access may take some time and will be highly dependent on market forces so an alternative government program may be necessary. The VFF support the concept of mobile inter-carrier roaming as a means of improving telecommunication coverage and investment across Australia to alleviate some of these difficulties in coverage.



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#### DRAFT RECOMMENDATION 8.2

The Australian Government should fund targeted measures to meet telecommunications universal service objectives principally through general government revenue rather than an industry levy. The Australian Government should seek to minimise the risks of cost-padding and gold-plating through contestable and transparent processes.

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It is of concern to the VFF that there is suggestion of the industry levy component of the Universal Service Obligation being removed. The industry levy is an established form of income for the delivery of the USO.

Particularly in the space of mobile telephone services, the VFF believes that there is capacity to alter the industry levy for the complimentary benefit of mobile telephone network distribution. To provide an incentive to mobile network operators to invest in mobile telecommunications infrastructure, should domestic inter-carrier roaming proceed post the ACCC inquiry, the VFF believe that there is scope to extend an industry levy to investment in mobile telephone infrastructure.

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#### DRAFT RECOMMENDATION 9.1

The Australian Government should immediately commence negotiations with Telstra to amend, and ultimately abolish, module B (Standard Telephone Service USO) and module C (Payphones USO) of the Telstra USO Performance Agreement (in line with draft recommendation 3.1).

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The VFF support the immediate review of the USO.

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#### DRAFT RECOMMENDATION 9.2

In negotiating changes to the Telstra USO Performance Agreement (draft recommendation 9.1), the Australian Government should seek an early termination of module C (Payphones USO) of the Agreement. These negotiations should be complemented by the required legislative amendments to also remove Telstra's statutory requirements in relation to the payphones universal service obligation.

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The VFF support the termination of module C of the USO, relevant to payphones. Industry and government funds previously directed into the upkeep and maintenance of payphones should be redirected into the provision of voice and data telecommunications access through mobile telephone services.

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INFORMATION REQUEST 9.1

*Participants are invited to comment on the relative merits of the following (or other feasible) transition options for the standard telephone service USO module of the Telstra USO Performance (TUSOP) Agreement.*

- *Option 1: Amend the Telecommunications (Consumer Protection and Service Standards) Act 1999 (Cth) to change the scope of the current standard telephone service USO, thereby forcing the parties to negotiate a payment adjustment under the Agreement.*
  - *Option 2: Remove the standard telephone service USO in all areas once the NBN rollout is complete.*
  - *Option 3: Commence a staged wind-back of the standard telephone service USO in NBN-connected areas as soon as practicable.*
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Amendments to the USO should not be solely contained to fixed phone and fixed data services. With demonstrated changes occurring in the telecommunications mediums which Australians choose to connect with, the USO needs to be broader than simply looking at the provision of opportunities under the NBN.

The VFF would be supportive of the development of a technology-independent telecommunications USO. This is one which also provides strong weighting to a basis standard of service for mobile telephone access, as well as fixed broadband.

The productivity commission reports that more than one third of Australian adults (draft finding 3.2) rely solely on mobile telephones for their voice telecommunications. Given this considerable trend, a greater focus should be placed on incorporating mobile telephones into a universal standard of access.



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